DDOD CC23 (20)

UNIVERSITY OF CAMBRIDGE
FACULTY OF ECONOMICS AND POLITICS

TELEPHONE (0223) 58944

SIDGWICK AVENUE
CAMBRIDGE
CB3 9DD

24th Feb. 1974

Dear Maurice,

Thank you for sending me the amendments you propose to introduce into the final note of your latest book, which herewith I return to you.

They no doubt represent – in my view – a substantial improvement on the present version and I hope you will introduce them on the occasion of the first reprint (which, in spite of what you say, I think will come soon).

A couple of remarks only:

i) The theory you favour (in terms of realisation of the surplus value) is not incompatible with the Kaldor-Pasinetti line. You say this, but you also suggest that the one might be used to criticize the other. I think there is no helpful reason to suggest this to the reader (who might not think of it at all). I should therefore suggest to drop the very last half sentence "and is criticizable to the extent ... etc."

ii) Your wording would seem to suggest that, in a socialist

System, investment determine profit, but in a capitalist economy profit determines investments. Unless you specify a little further the meaning of your statement, this might seem a criticism of both Keynes and Kalecki. I would simply say that the $I \rightarrow P$ relation can be seen at its clearest in a socialist economy. In a capitalist economy there may be many complications that may blur up or reverse (in the short run) such relation – a statement that both Kaldor and I would ~~accept~~ have no difficulty to accept.

Yours,

Luigi Pasinetti

DOBBCCD3 (21)

UNIVERSITY OF CAMBRIDGE
FACULTY OF ECONOMICS AND POLITICS

TELEPHONE (0223) 58944

SIDGWICK AVENUE
CAMBRIDGE
CB3 9DD

24th Feb. 1974

Dear Maurice,

Thank you for sending me the amendment you propose to introduce into the final note of your latest book, which herewith I return to you.

They no doubt represent - in my view - a substantial improvement on the present version and I hope you will introduce them on the occasion of the first reprint (which, in spite of what you say, I think will come soon).

A couple of remarks only:

i) The theory you favour (in terms of realisation of the surplus value) is not incompatible with the Kaldor-Pasinetti line. You say this, but you also suggest that the one might be used to criticize the other. I think there is no helpful reason to suggest this to the reader (who might not think of it at all). I should therefore suggest to drop the very last half sentence "and is criticizable to the extent ... etc."

ii) Your wording would seem to suggest that, in a socialist

System, investment determine profit, but in a capitalist economy profit determines investments. Unless you specify a little further the meaning of your statement, this might seem a criticism of both Keynes and Kalecki. I would simply say that the $I \rightarrow P$ relation can be seen at its clearest in a socialist economy. In a capitalist economy there may be many complications that may blur up or reverse (in the short run) such relation – a statement that both Kaldor and I would ~~accept~~ have no difficulty to accept.

Yours,

Luigi Pasinetti

Page 270
(middle para)

Some are again puzzled by the implications, of the post-Keynesian theory according to which the share of profit in national income is dependent on the growth-rate of the economy together with the saving (or alternatively spending) propensity of capitalists. The implication of this would seem to be that in static conditions with zero capital accumulation (Marx's 'simple reproduction') profits would be zero. This, however, could only be the case if capitalists persistently refused not only to invest but also to spend their (potential) incomes: surplus value would then fail to accrue simply because it could not be 'realised', even though conditions favourable to its 'creation' were in existence. If, of course, the theory is so interpreted as to make investment, or growth, the independent variable, it would appear to follow that the amount of profit or surplus is consequent on total non-wage demand. But while this might be a plausible view in a socialist planned economy (where growth is postulated as a key policy-element in the plan), it is plainly inappropriate, in an unplanned market system, where the accrual of income calls for explanation prior to decision-taking as to its disposal. Then to say that total profit is limited (and no more) by total non-wage expenditure is not of course inconsistent with the proposition that profit as an income-category originates in social conditions and social relations, and is criticizable to the extent only that it claims to be advanced as a substitute for the latter.

UNIVERSITY OF CAMBRIDGE
FACULTY OF ECONOMICS AND POLITICS

TELEPHONE (0223) 58944

SIDGWICK AVENUE
CAMBRIDGE
CB3 9DD

28th Nov. 1973

Dear Maurice,

I am reading your excellent book on the theories of value and distribution and I wonder if I can make one remark.

In your final note, on p. 270, you criticize my own relation concerning the rate of profit and income distribution (or at least this is how I interpret you, since you exempt Nicky in a footnote). You simply quote Mario and write: "The postulated relation 'is a necessary relation that must *always* hold for macroeconomic equilibrium among *ex-post* magnitudes. As such it cannot be disproved, and therefore, does not provide a theory of the determination of the profit-rate and income shares, especially in the short run".

I find this one of the most confusing statements that Mario has made. To my mind it makes no sense to talk of "ex-post magnitudes" if ~~one~~ considers an equilibrium condition, and to say that a certain theory does not explain what happen in the short run, if the theory itself is about the long run.

It seems to me that the same statement of Mario's could equally be applied to Keynes' theory of savings determination through investment and indeed to Sraffa price theory. These are also "relations that must always hold for equilibrium" There also "as such cannot be disproved". Yet, we do call them "theories".

Yours ever,

Luigi

Faculty of Economic and Social Studies
University of Manchester/Manchester/M13 9PL
Telephone: 061-273 3333
Department of Economics

24 Sept.

Dear Maurice,

Thank you for your kind letter; I am glad you enjoyed my latest piece. As far as I know there is no concerted sectarian drive. Yaffe, with others, was recently expelled from I. S. (for right deviations!), Pilling is in the S.L.L. Both have been published in *Economy and Society* but that is dominated, I think, by Althusserians. Yaffe himself acknowledges much influence from Mattick. I think what is involved is a rather broad tide of neo-Hegelian, anti-empiricist thought, taking dogmatic forms, rather than an organised "drive". But perhaps I am being naive on this.

I have recently been able to read your *Theories of Value and Distribution* at last and have found it most clear and interesting to read. I am sure it will help to strengthen the return to "classical" ways of thought.

Yours sincerely,

Ian Steedman

TRINITY COLLEGE
CAMBRIDGE
CB2 1TQ

21st Feb '74.

Dear Maurice,

I'm afraid that this still isn't quite right. We agreed that we are happy with Kalecki – in that distribn is determined in the field of production, by degree of monopoly, length of working day etc. Then investment determines the amount of surplus actually realised; i.e. investment determines the amount of profit (and the level of output), but not the share of profit.

Kaldor's error (and perhaps Pasinetti's) is to take the share of investment in income / the rate of growth as an independent variable determining the share of profit / the rate of profit.

You're point about a demand side theory requiring prior ~~accu~~ distribution is rather vague. You are right in that capitalists will only invest if there is a potential surplus to be realized, you are not quite right in that the capitalists may have no real wealth prior to investment, but finance capital may endow them with command over real resources. Thus it is the institutional structure of finance capital and the power ability to extract surplus which are the bases of investment expenditure.

Yrs John.